

TELEGRAM INFORMATION REPORT TELEGRAM

CENTRAL INTELLIGENCE AGENCY

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CLASSIFICATION — DISSEMINATION CONTROLS

COUNTRY WEST GERMANY

REPORT NO. TDCS-3/466,476

SUBJECT DISCUSSION OF BRENTANO MISSION TO
WASHINGTON AT CDU CAUCUS MEETING

DATE DISTR. 25 FEBRUARY 1961

PRECEDENCE ROUTINE

DATE OF INFO. 21 FEBRUARY 1961

REFERENCES IN 10099

PLACE & DATE ACQ. GERMANY, BONN (23 FEBRUARY 1961)
APPRAISAL 3

TDCS-3/466,206

FIELD REPORT NO. EGN 1189

THIS IS **UNEVALUATED** INFORMATION. SOURCE GRADINGS ARE DEFINITIVE. APPRAISAL OF CONTENT IS TENTATIVE.

SOURCE A WEST GERMAN JOURNALIST WITH GOOD CONTACTS IN GOVERNMENT AND PARTY CIRCLES (F).

(FIELD COMMENT:

— 1. /THE SOURCE TALKED TO SEVERAL CDU BUNDESTAG DELEGATES

IMMEDIATELY AFTER THE CDU BUNDESTAG DELEGATION'S CAUCUS MEETING ON
21 FEBRUARY 1961. THE SOURCE WAS INFORMED BY THEM AS FOLLOWS:)

A. THE ONLY SUBJECT DISCUSSED AT THE CAUCUS WAS THE GERMAN-
AMERICAN FINANCIAL NEGOTIATIONS. FOREIGN MINISTER HEINRICH VON
BRENTANO SPOKE FIRST AND BRIEFED THE CAUCUS ON HIS CONVERSATIONS
ON THIS SUBJECT WITH THE PRESIDENT AND RANKING STATE DEPARTMENT
OFFICIALS. BRENTANO STATED THAT THESE TALKS HAD BEEN CONDUCTED IN
A FRIENDLY MANNER. HE SAID THAT HE WANTED TO CORRECT FALSE PRESS
REPORTS TO THE EFFECT THAT HE HAD BOUND THE FEDERAL REPUBLIC TO
CONTRIBUTE DM 4.2 BILLION ANNUALLY FOR FOREIGN AID. HE SAID THAT HE

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DATE 2005

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HAD NOT BEEN AUTHORIZED TO MAKE SUCH A COMMITMENT AND THAT HE HAD NOT DONE SO. SEVERAL DELEGATES INTERRUPTED BRENTANO AND POINTED OUT THAT THIS WAS CONTRARY TO STATEMENTS THAT HE HAD MADE DURING HIS PRESS CONFERENCE THE PREVIOUS DAY. BRENTANO REITERATED HIS PREVIOUS STATEMENT AND SAID THAT HE HAD BEEN AUTHORIZED TO COMMIT THE FEDERAL REPUBLIC ONLY TO CONTINUING YEARLY PAYMENTS IN PRINCIPLE AND THAT HE HAD ADHERED TO HIS INSTRUCTIONS. BRENTANO ADDED THAT THE DM 4.2 BILLION FIGURE, NEVERTHELESS, HAD SOME VALIDITY SINCE THIS IS THE AMOUNT WHICH BONN IS COMMITTED TO PAY FOR FOREIGN AID IN 1961 AND WASHINGTON MAY WELL EXPECT THE FEDERAL REPUBLIC TO MAKE COMPARABLE CONTRIBUTIONS IN SUCCEEDING YEARS. BRENTANO EMPHASIZED THAT, NEVERTHELESS, HE HAD MADE NO FIRM COMMITMENTS AND THAT THE FINAL LEVEL OF PAYMENTS WAS YET TO BE NEGOTIATED. BRENTANO THEN STATED THAT HE HAD INDICATED TO THE AMERICAN OFFICIALS THAT THE PAYMENTS MIGHT ACTUALLY VARY FROM YEAR TO YEAR, DEPENDING UPON THE WEST GERMAN BUDGET'S ABILITY TO CARRY THEM, AND THAT IT MIGHT BE LESS, BUT ALSO AT TIMES MORE, THAN DM 4.2 BILLION. THE LATTER STATEMENT RESULTED IN CONSIDERABLE UNREST AMONG THE DELEGATES PRESENT. BRENTANO THEN REITERATED THAT HE HAD MADE NO FIRM COMMITMENTS AND THAT EVERYTHING WAS STILL OPEN TO NEGOTIATION. WHEN HE FINISHED, THERE WAS HARDLY ANY APPLAUSE.

B. ECONOMICS MINISTER LUDWIG ERHARD AND FINANCE MINISTER FRANZ ETZEL THEN TOOK THE FLOOR. THEIR REMARKS WERE IRONIC AND ALMOST

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INSULTING TO BRENTANO. ERHARD INDICATED THAT HE SAW NO REASON TO CHANGE HIS PREVIOUS ANNOUNCEMENTS CONCERNING THE AMOUNTS GERMANY WAS ABLE TO PAY AND THAT, IN ANY CASE, IT WAS UNWISE TO PROCEED WITH COMMITMENTS FOR FOREIGN AID PAYMENTS WHEN THE PURPOSES FOR WHICH THEY WERE TO BE USED WERE NOT YET CLEAR. FURTHERMORE, DM 4.2 BILLION COULD SIMPLY NOT BE PAID YEARLY SINCE IT WOULD BE IMPOSSIBLE TO RAISE THIS AMOUNT WITHOUT INCREASING TAXES AND THE ADDITIONAL REVENUE THAT WOULD BE REQUIRED WAS SO GREAT THAT IT WOULD BE IMPOSSIBLE TO LEVY SUCH A TAX.

C. ETZEL ENDORSED ERHARD'S STATEMENTS AND TOLD THE CAUCUS THAT FOR EVERY QUARTER BILLION MARKS IN AID PAYMENTS TAXES WOULD HAVE TO BE RAISED BY ONE PERCENT AND THAT FOR 4.2 BILLION THIS WOULD MEAN A 16 PERCENT INCREASE. ETZEL, IN SHARPLY IRONIC TONE (AND LANGUAGE, ASKED THE CAUCUS WHETHER ANYONE REALLY BELIEVED THAT SUCH AN INCREASE IN TAXES WAS FINANCIALLY AND POLITICALLY POSSIBLE. REFERRING TO A STATEMENT BRENTANO HAD MADE AT HIS PRESS CONFERENCE THE PREVIOUS DAY (FIELD COMMENT: IN ANSWER TO A REPORTER'S QUESTION AS TO WHERE THE REQUIRED FUNDS WOULD COME FROM, THE FOREIGN MINISTER HAD SAID THAT HE WAS NOT COMPETENT TO ANSWER

AND THAT THE QUESTIONER SHOULD SEEK THIS INFORMATION FROM THE

APPROPRIATE MINISTRY), ETZEL SAID THAT IT WOULD HAVE BEEN BETTER IF

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THE FOREIGN MINISTER HAD ASKED THE COMPETENT CABINET MEMBER BEFORE EVEN IMPLICITLY COMMITTING THE GOVERNMENT TO STATED PAYMENTS IN HIS TALKS WITH THE AMERICANS. BOTH ERHARD'S AND ETZEL'S SPEECHES WERE MET WITH ENTHUSIASTIC AND PROLONGED APPLAUSE, WHEREUPON BRENTANO LEFT THE ROOM WITHOUT ATTEMPTING TO REPLY.

(FIELD COMMENT:)

2. /THE SOURCE WAS STANDING OUTSIDE THE CAUCUS ROOM WHEN ERHARD DEPARTED AND HAD A CHANCE BRIEFLY TO CHAT WITH HIM.) BRENTANO LEFT THE ROOM AT THE SAME TIME AND HURRIED BY ERHARD WITHOUT SPEAKING TO HIM. ERHARD WAS VISIBLY AGITATED AND SPOKE IN UNUSUALLY HARSH LANGUAGE ABOUT "THE DILEMMA IN WHICH BRENTANO HAS LEFT US BECAUSE OF THE WEAK POSITION ADOPTED BY HIM IN WASHINGTON." ERHARD COMPLAINED EVEN MORE BITTERLY ABOUT "THE FACT THAT FOR OVER A YEAR NOW I HAVE BEEN SAYING THAT GERMANY MUST BEGIN TO PLAN FOR LARGE SCALE FOREIGN AID EXPENDITURES, BUT NOW, INSTEAD OF GETTING CREDIT IN THE DEVELOPING COUNTRIES FOR OUR GENEROSITY, WE HAVE ALLOWED THE IMPRESSION TO BE CREATED THAT WE ARE BEING FORCED INTO A LARGE SCALE FOREIGN AID PROGRAM AGAINST OUR WILL."

3. SEVERAL CDU DELEGATES SAID THAT ETZEL HAD "OF COURSE, NOT BEEN QUITE HONEST" IN HIS PRESENTATION BECAUSE A 16 PERCENT INCREASE IN TAXES APPLIED ONLY IF IT WAS MADE IN THE INCOME TAX. THESE CDU DELEGATES ADMITTED THAT THE INCREASE

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WOULD NOT BE NEARLY THAT LARGE IF IT WERE APPLIED TO OTHER TAXES,
SUCH AS CORPORATION TAXES. (FIELD COMMENT:
/EVERY CDU DELEGATE WITH WHOM SOURCE
HAD A CHANCE TO TALK WAS, NEVERTHELESS, VEHEMENT IN REJECTING
SIZABLE INCREASES IN ANY TAX AND ALL SAID THAT NO INCREASE WHATEVER
WAS POSSIBLE PRIOR TO THE ELECTIONS.)

4. FIELD DISSEM: STATE.

END OF MESSAGE

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